

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

| | | | |
|--------------------------------|--------------------|--|----------|
| Point of Contact: | Linda Levy | RSSD: (For Bank Holding Companies) | 0 |
| UST Sequence Number: | 1374 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 898,000 | FDIC Certificate Number: (For Depository Institutions) | |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | 24232 |
| Date Funded (first funding): | September 24, 2010 | City: | New York |
| Date Repaid ¹ : | N/A | State: | New York |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Since we did not receive CDCI capital until late in 2010, this is an increase we are expecting, but has not yet occurred.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The major types of loan increase that we anticipate are mortgages to income and resale restricted cooperatively owned buildings and small businesses.

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

The CDCI capital provided liquidity that allowed us to reduce our borrowings to zero. In addition to the CDCI funding itself, we also reduced borrowing through acceptance of additional deposits.

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Due to the boost in our capital that we received from the CDCI funds, we are able to increase deposits without lowering our capital to below well-funded levels as defined by the NCUA. (7%)

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The increase to our capital ratio helped us avoid many actions that we might have otherwise been forced to take. Prior to receiving the CDCI funds, our capital ratio was just over 8%; 7% is the required minimum to be considered well-capitalized by the NCUA. In addition, our lack of liquidity was a significant issue. In August 2010, the month before we received our CDCI funding, our loan to share ratio was 126%. The most obvious solution to that problem, increase in shares, was not possible for us, as a significant increase in shares would have caused our capital ratio to drop. If our capital ratio dropped below 7%, it would trigger Prompt Corrective Action and the inevitable spiral downwards. The only options open to us were to either borrow extensively or sell off some of our loans in the form of participations with other credit unions. Both of these options would have significantly cut into our income, just as we were recovering from a period of cutbacks and lowered salaries. In addition, to maintain our capital ratio, we would have had to return non-member deposits, thereby creating additional liquidity problems. As a result of receiving the CDCI secondary capital funds, we were able to avoid these measures and continue to grow without facing a negative impact on our capital.

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We were able to accept additional deposits without lowering our capital ratio. We are now able to market more extensively to increase membership, since we can now accept more deposits. This is fortunate because Americans are now joining credit unions more than any other time in history, and we can take advantage of this growth.

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Lower East Side People's Federal Credit Union

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Due in large part to the CDCI capital, we have been approached by other potential funders to further increase our capital.